

FISCAL NOTE

Bill #: SB0161

Title: Use coal tax to expand treasure state endowment

Primary Sponsor: Cobb, J

Status: As Introduced

Sponsor signature	Date	Chuck Swysgood, Budget Director	Date
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Fiscal Summary

	FY 2004 Difference	FY 2005 Difference
Revenue:		
General Fund	\$(64,164)	\$(268,629)
State Special Revenue		
Treasure State Endowment Program	\$64,164	\$268,629
Trust Funds		
Coal Tax Permanent Fund	\$(3,060,000)	\$(2,868,000)
Treasure State Endowment Fund	\$3,060,000	\$2,868,000
Net Impact on General Fund Balance:	\$(64,164)	\$(268,629)

- | | |
|--|---|
| <input checked="" type="checkbox"/> Significant Local Gov. Impact
<input type="checkbox"/> Included in the Executive Budget
<input type="checkbox"/> Dedicated Revenue Form Attached | <input type="checkbox"/> Technical Concerns
<input checked="" type="checkbox"/> Significant Long-Term Impacts
<input type="checkbox"/> Needs to be included in HB 2 |
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Fiscal Analysis

ASSUMPTIONS:

- Half of coal severance tax receipts are deposited in the coal tax trust fund, which is divided into several subfunds. Under current law, 50% of the amount deposited in the trust fund goes into the Treasure State Endowment Fund, 25% goes into the Treasure State Endowment Regional Water System Fund, and 25% goes into the Permanent Fund. This bill would increase the percentage going into the Treasure State Endowment Fund to 70% and reduce the percentage going into the Permanent Fund to 5%.
- Coal severance tax collections are projected to be \$30.598 million in fiscal 2004 and \$28.677 million in fiscal 2005. The following table shows the allocation of revenue between the subfunds under current law and this bill, and the differences.

Coal Trust Fund Deposits						
	Current Law		SB 161		Differences	
	FY 2004	FY 2005	FY 2004	FY 2005	FY 2004	FY 2005
Revenue	\$ 30.598	\$ 28.677	\$ 30.598	\$ 28.677	\$ -	\$ -
Deposited in Trusts	\$ 15.299	\$ 14.339	\$ 15.299	\$ 14.339	\$ -	\$ -
Treasure State Endowment	\$ 7.650	\$ 7.169	\$ 10.709	\$ 10.037	\$ 3.060	\$ 2.868
Regional Water System Fund	\$ 3.825	\$ 3.585	\$ 3.825	\$ 3.585	\$ -	\$ -
Permanent Fund	\$ 3.825	\$ 3.585	\$ 0.765	\$ 0.717	\$ (3.060)	\$ (2.868)

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(continued)

3. The change in coal severance tax distributions in Assumption 2 will increase the balance in the Treasure State Endowment Fund and reduce the balance in the Permanent Fund. In a fiscal year, the average balance in each trust fund is the beginning balance plus each of the deposits multiplied by the fraction of the year remaining when it is deposited. Coal severance tax is paid quarterly, within 30 days of the end of each quarter. The quarterly deposits occur with 8, 5, 2 and 0 months remaining in the fiscal year. The average balance therefore is the beginning balance plus 5/16ths of the total deposits ($5/16 = \frac{1}{4} \times \frac{8}{12} + \frac{1}{4} \times \frac{5}{12} + \frac{1}{4} \times \frac{2}{12} + \frac{1}{4} \times 0$). The additional deposits to the Treasure State Endowment Fund would increase the average balance by \$956,250 in fiscal 2004 ($5/16 \times \3.060 million) and by \$3,956,250 in fiscal 2005 (3.060 million + $5/16 \times \$2.868$ million). The reduced deposits to the Permanent Fund would decrease the average balance by \$956,250 in fiscal 2004 and by \$3,956,250.
4. Interest on the Permanent Fund is deposited in the general fund. Interest on the Treasure State Endowment Fund goes to the Treasure State Endowment Program which funds local infrastructure projects. The interest rate earned by the trust funds is projected to be 6.71% in fiscal 2004 and 6.79% in fiscal 2005. Interest payments to the general fund would be reduced by \$64,164 in fiscal 2004 ($6.71\% \times \$956,250$) and by \$268,629 in fiscal 2005 ($6.79\% \times \$3,956,250$). Interest available for local infrastructure investments would be increased by \$64,164 in fiscal 2004 and by \$268,629 in fiscal 2005.
5. This bill would not have significant administrative impacts on the Department of Revenue.

FISCAL IMPACT:

	FY 2004 <u>Difference</u>	FY 2005 <u>Difference</u>
<u>Revenues:</u>		
General Fund (01)	\$(64,164)	\$(268,629)
State Special Revenue (02)		
Treasure State Endowment Program	\$64,164	\$268,629
Federal Special Revenue (03)		
Trust Funds (09)		
Coal Tax Permanent Fund	\$(3,060,000)	\$(2,868,000)
Treasure State Endowment Fund	\$3,060,000	\$2,868,000

Net Impact to Fund Balance (Revenue minus Funding of Expenditures):

General Fund (01)	\$(64,164)	\$(268,629)
State Special Revenue (02)		
Treasure State Endowment Program	\$64,164	\$268,629
Federal Special Revenue (03)		
Trust Funds (09)		
Coal Tax Permanent Fund	\$(3,060,000)	\$(2,868,000)
Treasure State Endowment Fund	\$3,060,000	\$2,868,000

EFFECT ON COUNTY OR OTHER LOCAL REVENUES OR EXPENDITURES:

This bill would increase funding for local infrastructure projects by \$64,164 in fiscal 2004 and by \$268,629 in fiscal 2005.

LONG-RANGE IMPACTS:

This bill would permanently redirect interest earnings from the general fund to local infrastructure investments. The amount of interest redirected would increase each year through fiscal 2013, which is the last year when coal severance tax revenue will be deposited in the Treasure State Endowment fund.